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February 27, 1998

## Playing Politics with Students' Futures

Dear Colleague:

On July 1, 1998, the interest rates students pay on new Federal student loans are scheduled to change from a variable rate equal to the 91-Day T-Bill plus 3.1 percent to a variable rate equal to the 10-Year Treasury Bond plus 1.0 percent. This change will cut both lender yields and student interest rates by approximately 1 percent.

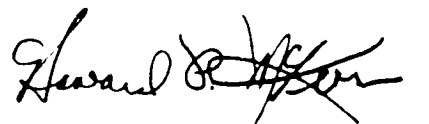
The Congressional Research Service and others have all agreed that lenders will not stay in the student loan program if we do not fix this problem, since student loans will be unprofitable. **If the FFEL program collapses, two-thirds of our nation's students will be without access to student loans.**

Rather than work with us to find a solution to this problem, the Administration has chosen to play politics with students' futures! **As the attached letter from the Chairman of the Direct Student Loan Task Force clearly shows, the Department of Education is using the impending student loan crisis to threaten schools into joining President Clinton's big-government direct loan program.** The problem is, even officials at the Department have acknowledged that direct lending could not take up the slack if the guaranteed student loan program collapsed.

We will continue to try to find a solution that works for everyone. We hope that all parties -- the Administration, the student groups, the higher education community and House and Senate Republicans and Democrats -- work together to solve this problem. Let's make good policy -- not election year politics on this issue.

Sincerely,

  
BILL GOODLING  
Chairman

  
HOWARD P. "BUCK" McKEON  
Chairman  
Subcommittee on Postsecondary  
Education, Training and Life-Long  
Learning

# Direct Loans

William D. Ford Federal Direct Loan Program

## UNITED STATES DEPARTMENT OF EDUCATION DIRECT LOAN TASK FORCE

Telephone (202) 708-9951 Facsimile (202) 401-3424

February 19, 1998

Dear

The U.S. Department of Education, through the Quick Start Program, invites the  
to participate in Direct Lending on a trial basis, so that you too can  
experience firsthand the numerous advantages our program offers to both institutions and  
borrowers. As the William D. Ford Federal Direct Loan Program enters its fourth year, more  
than 1,200 schools are already participating, including such distinguished institutions as  
Harvard, the University of Michigan and Cal Tech.

The Quick Start Program offers select institutions the unique opportunity to sample and  
incorporate the Direct Loan Program into their total financial aid operation. One significant  
advantage of Quick Start is that the institution determines the extent to which it participates in  
Direct Lending. For example, you might make Direct Loans available only to students  
studying abroad, to graduate students, or to students receiving emergency institutional loans.  
Other loans would continue to be processed through the Federal Family Education Loan  
(FFEL) Program.

The Quick Start Program, for which your institution has been selected, provides a streamlined  
application and approval process. The next step in securing participation is to contact the  
Direct Loan Task Force at 202-708-9951 or your regional Client Account Management staff at  
312-886-8766.

Once the  
elects to participate, we will expedite the final approval  
process so you can begin making loans as soon as possible--without having to wait until the next  
academic year. Our staff also will provide ongoing support and training that will ensure that  
the Direct Loan experience is a success for your institution.

The Department is confident that the Direct Loan Program will greatly benefit your institution  
and your borrowers. One important benefit is the assured access to loan capital. Given the  
pending change in the interest rate calculations, your participation in Direct Lending would  
ensure an uninterrupted flow of loan funds to your students. We hope you will accept our  
invitation to try Direct Lending.

Sincerely,



Joe L. McCormick, Chair  
Direct Loan Task Force

Enclosures